

## **PRODUCTION AND DISTRIBUTION AGREEMENT**

This Production and Distribution Agreement (the “**Agreement**”) is made and entered into on January \_\_, 2012 (the “**Effective Date**”), between The Label Records, LLC (“**Company**”), a music recording and distribution company organized under the laws of the State of California and The Combo (“**Artist**”), collectively, with Company, the “**Parties**”, and:

WHEREAS, Company is engaged in the business of producing, duplicating, packaging, marketing, and distributing, sound recordings and songs, for wholesale and retail sales; and

WHEREAS, Artist is currently engaged in a new project (the “**New Project**”) of writing and recording of scores and lyrics (the “**New Project Songs**”), for the subsequent marketing, distribution, and sale, by Company; and

WHEREAS, Company shall produce, duplicate, package, market, distribute, and sell, physical and digital media containing the New Project Songs, as written and recorded by Artist as its New Project;

NOW THEREFORE, in consideration of the mutual promises and benefits accruing to each of the Parties hereunder, the Parties agree to the following.

### 1. COMPANY’S OBLIGATIONS

#### A. Production and Distribution of Initial New Project CDs

1. Company shall reproduce, from the master recording received from the Artist (the “**Master Recording**”), the New Project Songs on a master compact disc (the “**Master CD**”) and, thereafter, shall have the Master CD duplicated in an initial pressing of 1,000 compact discs (the “**Initial New Project CDs**”).

2. Company shall provide graphic design, album art, and promotional materials, for the Initial New Project CDs; and shall package the Initial New Project CDs for distribution and sale, with UPC markings. Thereafter, Company shall market, distribute, and sell, the Initial New Project CDs.

3. Company shall be responsible for the arrangement of, and the payment of the costs and expenses of, the reproduction, duplication, marketing, distribution, and sale, of the Initial New Project CDs, as contemplated and set forth in this Agreement.

4. Company shall collect all proceeds from its distribution and sale of the Initial New Project CDs, and shall account to Artist for, on a semi-annual basis, all collected proceeds and its associated costs and expenses, as further provided in this Agreement.

5. Company shall use its best efforts to market, distribute, and sell, the Initial New Project CDs, through such channels and means as it, in good faith, shall determine to be

effective and appropriate, including the use of website, mail-order, electronic, digital, and other, means of marketing, distribution and sales.

6. Company, upon receipt from the Artist, shall handle the Master Recording with all due care and shall return the Master Recording to the Artist as soon as is practicable following Company's production use thereof, and, in no event, later than 30 days thereafter.

B. Production and Distribution of Subsequent New Project CDs

1. Company, upon consultation with the Artist and the agreement of the Parties, and following the distribution and sale of the Initial New Project CDs, shall use its best efforts to produce and duplicate from the Master CD, additional compact discs (the "**Subsequent New Project CDs**") and shall use its best efforts to market, distribute, and sell, the Subsequent New Project CDs.

2. Company, as further provided in this Agreement, shall be responsible for the arrangement of, and payment of the costs and expenses of, the reproduction, duplication, marketing, distribution, and sale, of the Subsequent New Project CDs, as contemplated and set forth in this Agreement.

3. Company shall account to Artist for, on a semi-annual basis, all collected proceeds and its associated costs and expenses, as further provided in the Agreement.

4. The Initial New Project CDs and the Subsequent New Project CDs are referred to herein, collectively, as the "**New Project CDs**."

C. Production and Distribution of Initial New Project Vinyl

1. Company shall reproduce, from the master recording received from the Artist (the "**Master Recording**"), the New Project Songs on an LP vinyl album (the "**Master Vinyl**") and, thereafter, shall have the Master Recording duplicated in an initial pressing of 500 vinyl records (the "**Initial New Project Vinyl**").

2. Company shall provide graphic design, album art, and promotional materials, for the Initial New Project Vinyl; and shall package the Initial New Project Vinyl for distribution and sale, with UPC markings. Thereafter, Company shall market, distribute, and sell, the Initial New Project Vinyl.

3. Company shall be responsible for the arrangement of, and the payment of the costs and expenses of, the reproduction, duplication, marketing, distribution, and sale, of the Initial New Project Vinyl, as contemplated and set forth in this Agreement.

4. Company shall collect all proceeds from its distribution and sale of the Initial New Project Vinyl, and shall account to Artist for, on a semi-annual basis, all collected proceeds and its associated costs and expenses, as further provided in this Agreement.

5. Company shall use its best efforts to market, distribute, and sell, the Initial New Project Vinyl, through such channels and means as it, in good faith, shall determine to be effective and appropriate, including the use of website, mail-order, electronic, digital, and other, means of marketing, distribution and sales.

6. Company, upon receipt from the Artist, shall handle the Master Recording with all due care and shall return the Master Recording to the Artist as soon as is practicable following Company's production use thereof, and, in no event, later than 30 days thereafter.

D. Production and Distribution of Subsequent New Project Vinyl

1. Company, upon consultation with the Artist and the agreement of the Parties, and following the distribution and sale of the Initial New Project Vinyl, shall use its best efforts to produce and duplicate from the Master Recording, additional vinyl (the "**Subsequent New Project Vinyl**") and shall use its best efforts to market, distribute, and sell, the Subsequent New Project Vinyl.

2. Company, as further provided in this Agreement, shall be responsible for the arrangement of, and payment of the costs and expenses of, the reproduction, duplication, marketing, distribution, and sale, of the Subsequent New Project Vinyl, as contemplated and set forth in this Agreement.

3. Company shall account to Artist for, on a semi-annual basis, all collected proceeds and its associated costs and expenses, as further provided in the Agreement.

4. The Initial New Project Vinyl and the Subsequent New Project Vinyl are referred to herein, collectively, as the "**New Project Vinyl.**"

2. ARTIST'S OBLIGATIONS

A. Artist shall cooperate with Company, regarding promotional appearances, information and photographic sessions, and other promotional activities, related to the marketing, distribution, and sale, of the New Project, as requested by Company, which shall be reasonable in scope and necessary to the marketing, distribution, and sale, of the New Project.

B. Artist shall choose the recording studio and studio musicians, and shall provide the scores, lyrics, and instruments required for the recording of the New Project. Additionally, the Artist, as further provided in this Agreement, shall pay all costs and expenses related to the recording of the New Project Songs and production of the Master Recording.

C. Artist shall use no materials in the New Project which could cause the Artist or Company to incur any royalty payment to, or infringement of any copyright belonging to, any person or entity not a party hereto.

### 3. FINANCIAL AND ACCOUNTING MATTERS

#### A. Costs and Expenses

1. The Artist shall be responsible for, and shall pay, all costs and expenses relating to the recording of the New Project Songs and the production of the Master Recording.

2. Company shall be responsible for, and shall pay, all costs and expenses relating to the production and reproduction of the Master Recording (CD and Vinyl) and the production, duplication, marketing, distribution, and sales, of the New Project CDs and New Project Vinyl (the “**New Project Costs**”). The New Project Costs shall consist of the following:

- Cases and compact discs for the New Project CDs;
- Associated printing of art included with the New Project CDs;
- Album and album sleeve for the New Project Vinyl;
- Associated printing of art included with the New Project Vinyl;
- Printed marketing and promotional materials for the New Project
- Mailing and delivery costs relating to the distribution and sale of the New Project;

3. Unless otherwise agreed by the Parties, the New Project Costs shall not include any portion of the general overhead, fixed costs, or other internal costs of Company.

#### B. Recoupment of New Project Costs

Company shall be entitled to its recoupment of the New Project Costs, determined on a semi-annual basis, prior to any distribution of sales proceeds to the Parties, hereunder. Therefore, the distributions of the sales proceeds made to the Parties, hereunder, shall be net of the New Project Costs (the “Net Proceeds”) incurred by Company.

#### C. Distribution of Net Proceeds

1. Distributions of Net Proceeds to the Parties shall be accounted for, and made, within 30 days of each 6 month cycle. Company will deliver to Artist, with each semi-annual distribution of Net Proceeds, a semi-annual accounting of the sales, the sales proceeds, and New Project Costs, related to the marketing, distribution, and sales, of the New Project during the previous period.

2. Each of the Parties shall be entitled to a semi-annual distribution, equal in amount to 50% of the Net Proceeds.

### 4. DISTRIBUTION RIGHTS

Artist hereby grants to Company, during the term of this Agreement, the exclusive license to market, distribute, and sell, the digital and physical formats of New Project Songs, worldwide.

## 5. RIGHTS REGARDING NEW PROJECT SONGS

A. The Artist also hereby grants to Company, during the term of this Agreement, the non-exclusive right to use and exploit any or all of the New Project Songs, as contained on the Master Recording, in any motion pictures, television productions, or other audio-visual medium, provided that Company shall consult with Artist and the Parties shall agree thereto, prior to such use or exploitation of New Project Songs.

B. Unless otherwise agreed, the Parties shall, each, be entitled to 50% of the proceeds and revenues flowing from, and produced by, the use and exploitation of the New Project Songs (the “**Use Proceeds**”), and, within 30 days of each 6 month period Company shall remit 50% of such Use Proceeds to Artist, together with a semi-annual accounting of its receipt of such Use Proceeds.

C. The use or exploitation of the New Project Songs, by Company or any other party, in any motion pictures, television productions, or other audio-visual medium, whether nationally or internationally, shall terminate on or before the termination of this Agreement, unless otherwise agreed by the Parties, prior to such use or exploitation.

## 6. OTHER RIGHTS

A. Artist, notwithstanding anything to the contrary contained in this Agreement, shall retain all copyrights, ownership of the Master Recording, mechanical royalties, rights of publicity, and publishing rights, with respect to the New Project Songs, the Master Recording, New Project CDs, and New Project Vinyl.

B. Company, upon production of the New Project CDs, shall provide 100 of the New Project CDs and 50 of the New Project Vinyl to the Artist at no cost. Thereafter Company shall provide to Artists additional New Project CDs and New Project Vinyl, equal in amount to the amount of the New Project CDs and New Project Vinyl sold by Artist during the preceding 6 month period, but, in no event, more than the New Project CDs and New Project Vinyl remaining in the inventory of Company.

C. Artist may purchase additional CDs from Company for \$5 per unit. Artist may purchase additional Vinyl from Company for \$8 per unit.

## 7. TERM AND TERMINATION OF AGREEMENT

A. This Agreement, unless renewed by the Parties, shall continue seven years from the Effective Date, provided that New Project CDs and New Project Vinyl sold prior to the date of termination of this Agreement may be shipped to buyers and sale proceeds received, prior to the date of termination. A final accounting of New Project Costs and proceeds received, together with a final distribution of the Net Proceeds and the Use Proceeds to the Parties, shall be made by Company within 60 days of the date of termination of this Agreement.

B. The Parties agree that, in the event of a breach of, or non-compliance under, this Agreement, by either Party, the compliant Party, upon ten (10) days written notice to the non-compliant Party, may terminate this Agreement, if such non-compliant Party fails to cure such breach or non-compliance, within said ten day notice period.

C. Further, if the breach or event of non-compliance constitutes, results from, or results in, the failure to remit the Net Proceeds or the Use Proceeds, as required under this Agreement, to the proper Party, an amount equal to 22%, per annum, of such unremitted proceeds, calculated from the date such remittance was due and payable, shall be paid by the non-compliant Party, as liquidated damages hereunder, for such breach or event of non-compliance.

## 8. MISCELLANEOUS

A. This Agreement constitutes the sole and entire Agreement between the Parties, and no modification of this Agreement shall be binding on the Parties, unless set forth in writing and signed by each of the Parties.

B. This Agreement is entered into, in contemplation of, and shall be governed by, the laws of the State of California, including those laws that govern the choice of law relating to this Agreement.

C. This Agreement may be executed in counter parts, and each such executed counter part shall constitute this Agreement.

D. This Agreement may not be assigned or transferred by either of the Parties, unless such assignment is agreed to, in writing, by each of the Parties.

WHEREUPON, the Parties hereto have set their hands and executed this Agreement, as of the above-referenced Effective Date.

**The Combo (“Artist”)**

**Company Label Records (“Company”):**

---

---